

25X1

Approved For Release 2006/05/25 : CIA-RDP85T00875R001100160046-9

Approved For Release 2006/05/25 : CIA-RDP85T00875R001100160046-9

Confidential



CLD

Intelligence Memorandum

Europe As An Interlocutor

Confidential

83

18 August 1973
No. 1660/73

25X1

Approved For Release 2006/05/25 : CIA-RDP85T00875R001100160046-9

Approved For Release 2006/05/25 : CIA-RDP85T00875R001100160046-9

CONFIDENTIAL

25X1

Central Intelligence Agency
Directorate of Intelligence
18 August 1973

INTELLIGENCE MEMORANDUM

Europe as an Interlocutor

Summary

In the coming round of multinational trade negotiations the European Communities will take their place as the world's leading trader and as an agglomeration of economic resources second only to the US. As an organization, however, the EC leaves much to be desired. Centralized authority in the community is minimal, and decision-making is a prolonged exercise in bargaining among its members. To negotiate successfully with the EC, the US must recognize that "Europe" as such does not yet exist and that the relationship between the US and Western Europe is based on cooperation and competition rather than on a virtually complete identity of interests.

The jurisdiction that the community exercises over the public affairs of its members falls short of that of a nation-state. Although tariffs and agricultural levies--consequences of the EC's customs union and common agricultural policy (CAP)--are controlled by the community, most non-tariff barriers to trade--an important element of the multinational negotiations--are not. This absence of EC jurisdiction will complicate the forthcoming international negotiations.

Comments and queries on the contents of this publication are welcome. They may be directed to [redacted] of the Office of Current Intelligence [redacted]. This memorandum has been coordinated with the Bureau of Intelligence and Research, Department of State.

25X1

25X1

25X1

25X1

CONFIDENTIAL

CONFIDENTIAL
[REDACTED]

25X1

An even more important weakness of the community in negotiating is its lack of effective control over the monetary, fiscal, industrial, and regional policies of its members. The only machinery the EC has to influence internal economic policy is the common external tariff and the CAP system, with all its protectionist aspects. The EC Commission, already formulating proposals to meet the ambitious program of community development laid down at last year's summit of the Nine, will welcome the stimulus that external negotiations may provide for extending the community's jurisdiction over internal policies. The community's lack of authority in many areas of public policy will for some time, however, pose difficulties for its negotiating partners.

The weakness of the institutions that conceive, debate, approve, and ultimately execute community policies is a further drain on the effectiveness of the community. There will probably always be a struggle within the EC--and even within the "European Union" that the Nine have set as a goal for the 1980s--over the amount of authority to be given to centralized, or "supranational," bodies and over the division of executive and legislative functions among them. The community now seems to be seeking an arrangement that would be acceptable to both the supranationalists and member states--especially France--which insist that only minimal powers be delegated to Brussels.

The commission has never fully recovered the authority it lost in the "constitutional" crisis that the French provoked in the EC in 1965, but it has not been hopelessly compromised. There is no other agency so well placed to pull together and master the complexities of community policy. Whether it can realize its potential depends on the quality of its staff and, especially, on the leadership of the commissioners. The present commissioners have shown no lack of courage in trying to carry out the program adopted by the 1972 summit or in pointing out the need for community advances. The Council

25X1

CONFIDENTIAL

[REDACTED]

25X1

of Ministers, the community's legislature, is not always responsive. The council--still laboring under the requirement for consensus--must be reformed if the community is to become an efficient government. The weakness of the European Parliament, meanwhile, denies the community a forum in which a "European" electorate could weigh in on policies and establish priorities.

The community may, in time, represent a "European identity" that will in fact focus on the EC's own activities. At present, however, Europe exists as an interlocutor only on so pluralistic a basis that what it stands for is often shifting and unpredictable. The community has often proved to be an imperfect instrument for overcoming competing national interests for the sake of "European" interests. The broader geographical base that the enlarged community has acquired will initially complicate decision-making, but it may establish a better balance of national power that will facilitate compromises and contribute to a sense of common identity that is being forced on Europe by external pressures. Even so, transfers of authority to community institutions may not necessarily proceed apace.

The recent suggestion of a Belgian diplomat that "the US should pretend that political unity exists even if it doesn't" implied that the US can damage the emergence of "a single voice" by emphasizing bilateral relations with community members. Despite the persistence of national rivalries, the common interests already manifest in community policies will not go away. How quickly progress can be made toward organizational arrangements that will permit the EC both to represent those interests more effectively and to engage in realistic bargaining with the US and others will depend on European and international developments. Commercial and monetary issues are important, but it is political and security factors that may prove decisive.

25X1

CONFIDENTIAL

25X1

I. Introduction

On 1 January the European Communities emerged as the world's leading trader, with an agglomeration of economic resources second only to the US. The member countries account for 37.6 percent of world trade (including intra-EC trade). Their central banks hold a substantial proportion of the world's currency reserves, and preferential ties link the EC to dozens of other countries on several continents. What the EC buys or sells, invests or saves has implications throughout the world; the EC can influence the rules under which international commerce is conducted; and its economic sniffles, like those of the US, can transmit chills to others.

Yet, the EC is an authentic world power in only a special way. At best, the voice of Europe is a chorus--at worst, a cacophony. Although the EC often thinks and even acts as a unit, in no other modern polity is centralized authority so minimal. The institutions that wield that authority are so restrained by built-in checks and balances and by watchful national authorities that the making of any major decisions is a prolonged exercise in international diplomacy.

For nearly three decades, the US has endeavored to create in Western Europe an interlocutor: an organization that could speak for and represent Europe, negotiate with the US as an equal, and share with us common responsibilities. The EC is the primary consequence of that endeavor, and it is not entirely satisfactory. We assume--and much of the world assumes with us--that "Europe" exists when real unity is another decade or so away. We also assume an identity of interests between us far more extensive than our cooperative-competitive relationship allows. Finally, we assume that the Europeans will be able to articulate their interests and project them in the international arena despite their history of diversity and the EC's organizational weakness.

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

As the US attempts to deal with the EC--now in the trade and monetary spheres, later perhaps across the board--the US will do so effectively only if it recognizes that there are conflicts of interests as well as identity of interests, in these relationships. This paper will consider three broad areas: (1) the jurisdiction of the EC--what is in the community and what is not; (2) institutions of the EC--theory and practice in community decision-making; and (3) community and national interests and how the changing nature of the communities is likely to shape the European sense of identity. A final section will consider the opportunities and the pitfalls that may appear in the forthcoming trade and monetary negotiations.

II. The Question of Jurisdiction

In their legal form the European Communities occupy a unique position somewhere between international law and national constitutional law. The community treaties go beyond creating the usual mutual rights and obligations established in bilateral or multilateral conventions between sovereign states, but the treaties do not go so far as to meld the members into a single entity possessing all the attributes of a nation state. In the debate over "supranationalism" between partisans of federation and confederation, outsiders sometimes overlook one of the principal distinguishing characteristics of the Communities--and one over which there is no argument--namely, the direct applicability of community law, in those areas where it exists, to the member states and the precedence of that law over national law. Community law is binding not only on the national governments, but also on firms and individuals, all of which can make direct appeal to community institutions. For example, the EC Commission is empowered to intervene directly in the area of monopoly or restraint-of-trade questions, and affected firms have direct recourse to the community court.

25X1

CONFIDENTIAL

25X1

Nevertheless, the community treaties are largely framework treaties, incompletely fleshed out with the regulations, directives, and decisions, which, to varying degrees and extent, give content to community jurisdiction. In terms of concrete accomplishment, the community's principal achievements are the establishment of the common agricultural policy (CAP) and the customs union. These involve the abolition of internal tariffs and other obstacles to trade in industrial and agricultural goods, the erection of common external tariffs (or variable levies in the case of many farm products), and the elaboration of common commercial policies. The operations of the customs union, however, are not fully effective. There are still numerous obstacles to internal community trade, such as differences in quality standards, customs procedures, and technical norms, as well as inconsistencies in indirect taxation and state monopolies. The absence of common policies on non-tariff barriers to trade within the EC customs union also implies that common positions on most non-tariff barriers are not yet part of the community's common commercial policy toward third countries. Geographically, the common commercial policy is also incomplete. The EC has yet to establish the common rules that will guide its trade relations with state-trading countries, despite the fact that at the end of 1972 the commission acquired from the member states the right to negotiate trade agreements with the Communist countries.

Nevertheless, with these exceptions, the community's jurisdiction is fairly well established over policies that are directly related to international trade. In contrast, its control over the economic and monetary policies of its members is minimal. Despite the declared intention of the community to proceed toward economic and monetary union, economic policy tools remain very much in the hands of the member states. Community forums for mutual deliberation on national policies are not lacking, and ultimately the Monetary Committee, Short-term and Medium-term Economic Policy Committees,

25X1

CONFIDENTIAL

25X1

Budgetary Policy Committee, Committee of Central Bank Governors, as well as the quarterly meetings of finance ministers, may provide an effectively harmonized "community" policy. For the moment, however, there are no controls at the community level over national fiscal or monetary decisions.

The absence of harmonization in economic policies, let alone of economic management by community bodies, has posed severe problems for movement toward the common management of monetary reserves and exchange rates, and eventually the single currency that are the goals of "monetary union." In principle, it is generally recognized that a monetary union can work only if counter-cyclical and structural policies at the community level offset national, regional, and sectoral imbalances that arise when national governments relinquish full control over the various instruments of financial management.

The community has nevertheless tended to give precedence to monetary measures, such as the narrowing of bands within which the exchange rates of member state currencies are permitted to fluctuate vis-a-vis each other. It has also stressed the goals of a single community currency and the pooling of monetary reserves. Although there are political motives which play a part--especially France's support of European "independence" from the US--the "monetarist" approach to economic union is in keeping with one theory of how the community should develop and in some respects has actually developed. The theory holds that the extension of community jurisdiction in one area will "force" agreement to extend it to other areas in order to eliminate distortions in economic development that would otherwise result. Thus, the customs union creates pressures for the removal or harmonization of non-tariff barriers to trade; the CAP--with prices expressed in common units of account--makes monetary union desirable, if not necessary; and monetary measures make economic policy coordination imperative.

25X1

CONFIDENTIAL

25X1

Skeptics argue that this theory may be no more than a rationalization for the fact that it is easier to proceed step-by-step with what appear to be only "technical" alignments so long as the political system at the community level is "underdeveloped." The authorities who wield most of the power and who are responsible to the electorate are found in the national capitals, and it is they who are accountable for domestic economic planning. It has thus been argued that the community cannot be effective in this area until member nations abandon their control over cyclical policies. Conversely, it has been argued that the imperfect union set out in the EC treaties has encouraged the national bureaucracies to retain control. The step-by-step "parallelism" between monetary and economic policy measures foreseen in the plans for economic and monetary union is an attempt to break this circle, even though it is not clear that, without deliberate political decisions, such intentions by themselves will be enough. In any case, for the present, the community's responsibility for the internal economic policies of the member states is very limited, indirect, and ill-defined.

Although the monetary union has not developed to the point that the EC has jurisdiction over monetary policy, the member states are committed to consult with one another and to adopt a common line in international monetary forums. This may cause frustrations in third countries. The mutual agreement which the Nine have been able to reach on international monetary matters has often been framed in such general terms that it barely disguises their differences on important matters such as the future role of gold in international settlements.

The handicaps under which the community operates in the absence of effective counter-cyclical policies are aggravated by the lack of effective community industrial, regional, and social programs. Such programs would not only contribute to a more balanced

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

development of the community, but would also supplement external measures--tariff restrictions, protective agricultural levies, and, increasingly, national exchange controls--that now bear the whole burden of maintaining equilibrium. The concept of an industrial policy is not included in the EEC treaty, even though many components of such a policy are treated in one provision or another. Most of these provisions--liberalization of the movement of labor, capital, and services, the right to establish a business or profession anywhere within the community, and tax conformity--are meant to remove obstacles to industrial development. The commission wants to promote a more explicit policy for industrial development and to provide a coherent framework for community-wide freedom of establishment, but progress in this area is likely to be slow.

The community has certain powers in the regional and social fields, but its programs so far have been grossly inadequate. Although these programs are now getting the attention they deserve in the enlarged EC, the development of effective community measures to ensure balanced regional development and to provide large-scale aid to the disadvantaged will be a hard-fought issue in coming months.

Many of the problems which Brussels is attempting to come to grips with for the community are also problems the international community is trying to solve by multinational rules and guidelines. Although the predominant sentiment within the EC is not to downgrade the importance of international understandings (for example, on indirect taxation or government procurement), there is a definite pattern of first finding agreement among community members. Regardless of whether a particular issue is directly related to provisions of the community treaties, caucusing of EC members is more and more frequent in international forums and negotiations. In part, this is an instinctive reaction,

25X1

CONFIDENTIAL

CONFIDENTIAL

25X1

based on the presumption of an identity of European interests. Beyond this, there is the calculation that with a common position, Europe can make a stronger case. Moreover, some questions, such as cooperation on environmental standards, are probably deemed easier to resolve, at least initially, on a regional rather than a global basis. If regional and global efforts are not continually to conflict on the great variety of issues for which "interdependence" is increasingly the shibboleth, however, choices must be made between their respective priorities.

Negotiations in Geneva on non-tariff barriers to trade--many of which are beyond the community's jurisdiction--should theoretically be possible inasmuch as both the EC and its member state representatives will be "present" at the negotiations. Indeed, both have participated in the GATT deliberations that have been going on for a number of years in an attempt to identify non-tariff barriers and to consider how they might be removed.

The inherent technical and political difficulties that make non-tariff barriers so difficult an area in trade negotiations will nevertheless be aggravated by the absence of adequate community jurisdiction and, thus, negotiating responsibility. The negotiation of almost any non-tariff barrier by an individual member is likely to be considered a matter for prior community consultation, especially in areas such as government procurement policies that sooner or later must be harmonized within the EC. Such "pre-negotiations" among the Nine could be long and tedious.

From this broad sketch of the main lines of community jurisdiction, it would appear that there is at least some merit in the argument, usually advanced by the French, that the community today has little to cement it but the common external tariff and the CAP. Olivier Wormser, Governor of the Bank

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

of France, said in a speech he made in Bordeaux to the France-US association in March 1972:

If the Europeans want the enlarged community to keep any individuality whatsoever, they must not under any pretext accept the dismantling of the common external tariff and the common agricultural policy. This consideration makes for a contradiction between a Nixon Round of tariff negotiations and the will to prevent the community from dissolving itself in a sort of Atlantic free trade area.

There is a considerable element of economic self-interest behind such sentiments, but, beyond this, it is true that the EC still lacks the range of policy instruments needed to respond to international pressures for sharing adjustment burdens resulting from a further liberalization of trade. The absence of such instruments may be convenient for those within the community who prefer to avoid such burdens. The absence also suggests that the commission might welcome the pressures of wide-ranging trade and monetary negotiations in order to demonstrate the need for developing coherent policies--under community jurisdiction--in other than purely commercial areas.

III. The Exercise of Jurisdiction--Institutions

Beneath the general institutional concepts embodied in the Rome Treaties lay a desire to create a system that would not only permit, but also encourage, the development, identification, and representation of a "community interest." At the same time, the system had to safeguard national interests even in the limited fields where jurisdiction was transferred to the community. The concept of a "dialogue" between the commission and the Council

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

of Ministers was accordingly devised as the core of the EC decision-making apparatus. The commission is enjoined by the Treaties to "act completely independently...in the general interest of the Communities." Composed of "European" civil servants owing allegiance only to the community, the commission is given the right of initiative but is obliged to propose policies which take into account the interests of the community as a whole.

The council, although composed of ministers representing the member states, is not an inter-governmental body. It is the EC legislative institution, and the Rome Treaties devote much attention to its voting procedures. Provision is made for taking decisions by a qualified majority vote--with the thought of minimizing the threat of a veto, and thus increasing the council's ability to develop consensus at a level above the lowest common denominator. Although the framers of the treaties foresaw a politically influential role for the European Parliament and provided for eventual community-wide, direct election of its members, the only real power originally given the parliament was its ability to unseat the commission--a check that has proved ineffective since the parliament in practice has tended to look on the commission as an ally.

The viability of the community's institutions during the years of the transitional phase--which ended in 1967--relied in large part on a tacit understanding between the commission and the French to advance the common agricultural policies from which France benefited materially and on the implied understanding that Germany required parallel progress toward liberalization of industrial trade. The commission, in fact, was a "powerful motor" during the EC's early years even without the lever of a qualified majority vote in the council--a lever that was not intended in any case to become fully effective until after the end of the transitional phase.

-12-

25X1

CONFIDENTIAL

25X1

The commission's influence was enhanced not only by the serious approach of its leaders, but also by its unique competence to deal with the technical and complicated questions involved in the common agricultural policy that dominated the early years of the community.

The institutional working of the community during the early 1960s nevertheless involved a delicate balance of power between commission and council. How tenuous it was became evident on 30 June 1965 when the French began what was to be a seven-month boycott of community institutions. The ostensible cause of the French action was the council's failure to meet an agreed deadline for establishing rules for agricultural financing. The deeper reason was France's rejection of further centralization of power in the EC, as the commission's financing proposals implied. The commission had submitted these proposals as part of a package providing also that the agricultural levies and industrial customs would eventually become community revenues. Since the projected revenues would exceed projected community expenditures, the commission maintained that democratic control of these resources could be achieved only by extending the authority of the European Parliament. The net effect of the proposals, however, would not have been so much an increase in parliament's power--at least in the first instance--as a dilution of the council's authority over the community's budget and the expansion of the commission's role as arbiter between council and parliament.

The commission's plan amounted to what one observer has described as a "bold but quite legitimate effort to shorten the path to European unity." It ultimately failed in its objective of insuring at one stroke a "supranational" development of community institutions, but de Gaulle's effort to force his partners to submit to his dictates with

25X1

CONFIDENTIAL

25X1

his "empty-chair" tactics also misfired. France had submitted a series of ten demands, which, if accepted, would have seriously undermined the commission's authority and would have voided even the principle of majority voting. When the dispute was at last resolved in Luxembourg in February 1965, the "decatalogue" had become a "heptatalogue" in which the commission's authority was theoretically left intact and the question of majority voting was left unresolved.

To what extent the resolution of the dispute was a draw is difficult to say even now. What was safeguarded--despite the French boycott and the ambiguity of the final settlement--was the framework of community decision-making, including the potential for an initiating role for the commission. Under the circumstances, this was no mean victory for the Five. They were able to demonstrate that France had something less than absolute sway over its partners and that, acting together, the Five could at least preserve important principles for re-consideration another day.

Nevertheless, the dispute did affect the climate in which the commission and the council subsequently operated. The trend in the community's institutional development since then has been toward decentralization of authority. The resulting dispersion of decision-making centers, which makes it difficult for outsiders to know just where key decisions are being made, is the consequence of several factors:

- the greater timidity, hesitancy, or, at any rate, the declining influence of the commission
- the often paralyzing emphasis in the council on the need for unanimity

25X1

CONFIDENTIAL

25X1

- the growing role of the Committee of Permanent Representatives
- the inability of the European Parliament to clarify political priorities
- the proliferation of committees outside the commission-council framework
- the relatively new "institution" represented by meetings of community leaders at the summit.

The Commission

The commission's responsibility has always been a collegiate one--the assignment of individual commissioners to oversee particular areas of community activity being a practical necessity. Since the early years, when President Hallstein exerted strong leadership in the community, commission presidents have generally been circumspect. It is true that Jean Rey--Hallstein's immediate successor and first president of the Commission of the European Communities following the amalgamation of the former EEC and EURATOM Commissions and the Coal-Steel Community's High Authority--was instrumental in guiding the EC through the difficult and complex Kennedy Round negotiations. Even so, both Rey and, more notably, Italy's Franco-Maria Malfatti, president from 1969 to 1972, were anxious to emphasize the commission's "realism"--in other words, its eagerness to avoid provoking the French. Malfatti's resignation last year to return to Italian politics--in itself a reflection on the prestige attached to the commission presidency--brought Sicco Mansholt in as a lame-duck president for the remainder of Malfatti's term. Mansholt's outspoken "Europeanism" and predilection for not mincing words in defense of commission prerogatives on more than one occasion put the commission into the headlines.

25X1

CONFIDENTIAL
[REDACTED]

25X1

"Collegiality" within the commission, however, made no great strides during his term, and the consequent identification of certain policies with individual commissioners--for example, Mansholt himself with environmentalism; Dahrenörf with US-EC consultations; Barre with monetary union--did little to improve the credibility of the commission as a whole.

Despite these negative impressions, the commission has remained nearer to the "center" of EC activities than any other institution. Although less prominent in the over-all framework than envisaged in the treaties, it is often still the only place where compromises can be drafted--in part because of the technical expertise required, but also because of its relative neutrality vis-a-vis the member states. Even the agreements reached at the October summit of the Nine were, ultimately, based on a commission draft. The commission has lost none of its theoretical responsibility to initiate community policies, even though the recent establishment of mechanisms emphasizing continuing consultations with the member states at all stages of decision-making have intensified the built-in tensions between supranational and intergovernmental evolution of the community.

The Council

The question of majority voting has been muted since the dispute between France and the Five ended in a stand-off, with the French insisting that "when very important issues are at stake," council deliberations should continue until unanimity is reached, and the Five maintaining that in areas identified by the treaty as subject to a majority vote decisions acceptable to "all the partners" need be sought only for a "reasonable length of time." Even Mansholt recently admitted that "a true community can never make a decision against the vital interests of one member state." It would probably be false, however,

-16-

[REDACTED]
CONFIDENTIAL

25X1

CONFIDENTIAL

[REDACTED]

25X1

to conclude from the relative quiescence of the doctrinal dispute in recent years that majority voting is a dead issue. Although the French, in particular, sometimes allege that the matter is settled once and for all, majority voting may in time be judged indispensable to efficient decision-making.

Permanent Representatives

With unanimity still required in the council, the role of the Committee of Permanent Representatives, or "permreps," has been greatly expanded. Although scarcely mentioned in the Rome Treaty, the permreps, who are the member state ambassadors to the Communities resident in Brussels, now do most of the essential day-to-day bargaining in preparation for council decisions. Given the structure of the community, a mix between an inter-governmental and a federal system, it might be said that the permreps would have to be invented if they did not already exist. Since the majority vote in most cases cannot force conciliation of interests of member states within the framework of the council, much of the necessary log-rolling must take place outside the council. The permreps are the most convenient way of giving expression to these interests. They are usually consulted in the early stages of policy-formulation by the commission, and questions are remanded to them when the council is unable to reach agreement. Their growing role can be viewed as subversion of the supra-national development of the community, but it is actually a simple reflection of the real structure of power, more a symptom than a cause of the existing institutional impotence. Thus, the permreps are by no means an entirely undesirable development. Although they are representatives of the member states, the permreps can take on a "European" cast and are in a position to act as a European pressure group vis-a-vis their national governments.

25X1

CONFIDENTIAL

25X1

European Parliament

An agreement in 1969 gave the European Parliament in Strasbourg a greater say over a small part of the community budget, but brought about no real increase in its influence in community affairs. A further expansion of its budgetary responsibility is scheduled for 1975, and the parliament's power could be enlarged if action is taken to improve the community's institutional functioning in the context of economic and monetary union. It now seems more likely, however, that any thoroughgoing reform of the relationship of the parliament to other institutions will have to await the summit conference scheduled for 1975 which will discuss commission proposals for "European union."

Since the 1965 showdown, debate has continued on whether the parliament should be directly elected by popular vote before it has effective powers or whether such elections would be meaningless in the continued absence of real control. "Pro-European" circles in various countries are pressing for direct election of the various national delegations to the Strasbourg assembly. The eventual lever for reform will doubtless come from the "power-over-the-purse" question that the commission sought to evoke in the 1965 dispute. At that time, the commission argued that a larger role for the parliament was necessary to provide democratic control over the revenue resources the community would acquire. In the meantime, the parliament can influence EC legislation only marginally through its right to be consulted--but not necessarily to be listened to--on commission proposals.

Committees

Although most of the committees that have sprouted outside the direct commission-council relationship came prior to 1965, the tendency to graft

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

ad hoc bodies onto the community structure has been harder to resist since then. In the area of monetary and economic policy there are, in addition to the Monetary Committee (called for in the EEC treaty), a Committee on Short-Term Economic Trends, a Medium-Term Economic Policy Committee, a Committee of Central Bank Governors, and a Budgetary Committee. The decisions of March 1972 that were intended to further the establishment of a monetary and economic union also created a new coordination group on short-term economic policy responsible to the EC Council. Moreover, the finance ministers now hold quarterly meetings outside the council framework.

The performance of these groups has been uneven. They are not necessarily anti-integrative, since they can be nuclei for bodies set up under any eventual European "government." Nevertheless, they drain from the commission much of the functional expertise necessary for economic management and emphasize that most economic decisions still reside with the member states.

Summitry

The summit conference has now become all but institutionalized and has been utilized to "inspire" community movement. For the purist, the disadvantage of summit sessions is that they emphasize that certain fundamental decisions can be made only in what are, in effect, diplomatic conclaves, and that community institutions must follow rather than lead in the integration process. On the other hand, summitry has dramatized the reality that at this stage in its development the community's progress is in large part dependent on national commitments. To the extent that national leaders are judged by their contributions to European unity, these commitments will probably be honored. In time, however, the community can be expected to develop a "clientele of interests" that

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

will be large and powerful enough so that its further advancement will become self-generating.

Special Interests

Brussels has already become a focus for special interests that feel they must maintain direct contact with community institutions even as they are exerting most of their influence on community policies through national governments. Formally, representation of the "various categories of economic and social activity" (Rome Treaty, Art. 193), as well as the "general interest," is achieved through the Economic and Social Committee. Like the European Parliament, the committee's opinions are purely advisory and often have little effect on community legislation. The greater the EC's authority in a given field, however, the more imperative direct representation has become to those affected. The CAP has led to a greater identity of interest among farmers than has occurred among any other economic or social group. Agricultural interests are thus the best organized on the community level, and the Committee of Professional Agricultural Organizations of the EEC (COPA) has, over the years, concentrated more and more of its attention on Brussels.

Given the over-all weakness of parliamentary responsibility at the community level, both the consumer and labor are under-represented compared with their influence in the member countries. The commission itself has attempted to arouse the interests of these groups in EC matters through such devices as symposia on employment and on environmental issues, and has revised its own organizations dealing with consumer matters. Until recently, the "general interest" has been slighted during the formal and informal consultations of the commission as it develops new proposals for council consideration, but the formation earlier this year of a European Trade Union Confederation suggests a trend toward more effective community participation by those "neglected" interests.

25X1

CONFIDENTIAL

25X1

Political Consultations

Political consultations among the community members--a result of a decision taken at the summit of the Six in The Hague in December 1969--provides another source of potential influence on community institutional and policy development. The modesty of the initial steps toward foreign policy consultation was largely a result of fears inherited from the abortive discussions of political union in the 1960s, when it appeared to some of the Six that Paris wanted new mechanisms of a purely inter-governmental character to overshadow the community's, and actually set the direction in which the community itself should evolve.

The present political consultations, in part because of the meager means provided--the lack of a secretariat, for example--has not, in fact, encroached on community prerogatives. The consultations instead have shown that the most likely areas for effective common action by community members are those already under community jurisdiction. Thus, the only concrete action to come out of the consultations on the Middle East has been a program for aid to Palestinian refugees that will be administered by the commission. Similarly, on the European security conference, agreement has been easiest on those economic aspects of East-West relations bearing directly on the functions of the Communities.

The political consultations have created a forum where the political consequences of EC activities can be debated, but effective institutionalization of the "political dimension" of the community remains a troublesome matter. It is closely tied to the sensitive question of national sovereignty, and regardless of the 1980 deadline the summit set for the achievement of "European union," there is no agreement that the "community system" of commission-council dialogue embodied in the Rome Treaties can be made applicable across the board. Nevertheless, there are increasing pressures--external and internal--for the community

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

to move toward a common political front. A number of countries assume that "Europe" exists and that therefore community foreign policies--to the extent they exist--should not be undercut by conflicting policies pursued by the member states.

Enlargement

The enlargement of the community has already posed new challenges for its institutions. With nine members and an increasing range of subjects being prepared for community action, the decision-making process must be improved if stagnation is not to become a very real possibility. All of the member states agree that they must make an effort to see that enlargement does not hamstring the community.

Council

The principal danger to the effectiveness of the council is that under present procedures the addition of three new national viewpoints will prolong the time required to reach a consensus. Eventually, the procedural delays may create new pressures for majority voting, but this change is not likely to come soon. Even Britain, which has left few doubts about its intention to strengthen the central institutions, is not ready to accept majority voting. Better coordination of the positions of various ministries and departments within the individual member states--a step which London, for example, seems quite determined to take--may improve the performance of the council. There is also some hope that the Nine may yet agree to free additional days for council sessions by scheduling their respective national cabinet meetings on the same day of the week.

Commission

The addition of three members to the commission last January increased the risk of accelerating and perhaps confirming the prevailing tendency to divide up area responsibilities so that each commissioner has his own "preserve" and collegiality is further

25X1

CONFIDENTIAL

25X1

de-emphasized. Although the division of responsibilities within the commission has left jurisdictional lines unclear in several areas, there has as yet been no serious bureaucratic infighting. Several strong personalities on the commission are dedicated to promoting community integration through a forceful--and, therefore, political--role for the Brussels executive. Until there is a dramatic breakthrough in the statutory powers of the body, which is not likely to occur soon, it will be the personalities of the commissioners that will largely determine the independence and prestige of the commission.

Although the leadership qualities of France's Ortoli, who will be president of the commission through 1974, are still unproved, it is unlikely that Pompidou appointed this former French minister with the idea that he would hobble the workings of the body. Ortoli will almost certainly avoid doctrinal arguments over commission prerogatives, but he will undoubtedly try to maintain an efficient, if not over-ambitious, commission. He has proved a capable administrator during the difficult period of the enlargement, and on several occasions, has worked vigorously to effect community compromise.

Parliament

Enlargement and the growing number of tasks being assigned to the community will eventually bring a greater amount of business to the European Parliament. Given the increasingly heavy work load, a practical difficulty may in fact arise for a government having a small majority in its own parliament. Such a government would have trouble providing delegates to the European Parliament and still be confident it will have enough votes at home. This kind of problem could generate more pressure for direct elections to the European Parliament than other, more theoretical reasons.

In any case, an increase in the powers of the European Parliament is likely to precede any community-wide direct elections. Even France accepts

25X1

~~CONFIDENTIAL~~

25X1

that Strasbourg should have more control over funds that now pass through the national treasuries. Although the French--and probably others, too--will resist any early sweeping reforms, it is unlikely that there will be an entirely negative response to the proposals for upgrading the parliament, recently proposed by the commission. Any increase in parliamentary powers will probably improve the quality of the delegations to Strasbourg and hence the level of the debates. A more lively parliament--already achieved by the addition of British members--would not directly speed up community decision-making, but, ideally at least, the debates could influence decisions of the council.

Institutional Effects (Internal)

The institutional concepts of the Communities may have been--and may still be--in advance of their time. Certainly the institutions have not functioned according to treaty prescriptions. On the other hand, had the community been formed with an eye only to the "political realities" then prevailing, it seems probable that the community would today have even less coherence. This judgment implies that, despite the emphasis on consensus-building which has prevailed in community decision-making, the policies which have resulted from the imperfect institutional process have nevertheless on occasion risen above the lowest common denominator. This has been true mostly because the commission, confronted with differences among the member states, can try to resolve them by appealing to community "principle." In this way, a succession of small advances have served to sustain the community system.

The system today provides some representation, however inadequate, of the "community interest." This is at least an important start, especially since the institutional compromises made by the drafters of the Rome treaties have proved to be formidable obstacles to the development of a viable political process. Although superficially the community institutions divide executive and legislative functions,

~~CONFIDENTIAL~~

25X1

CONFIDENTIAL

25X1

it is the legislative arm, the council, where the important decisions are made. The council's meetings are held behind closed doors, a procedure designed, at best, to discourage popular interest in community law-making and, at worst, to encourage suspicions that the council is a marketplace for trading off special interests. Despite the secrecy surrounding the meetings, hard positions are often advertised in advance, with an eye to the home audience.

External Effects

The institutional weaknesses of the community are obvious. Positions on international issues over which the EC has jurisdiction take a long time to be developed. Before positions are finally agreed on, it is difficult to know who can speak, even in a preliminary fashion, for the community. Commission opinions are certainly a significant contribution, but in many cases are no more than that. The commission has attempted to be the community's conscience on external relations, with uneven results. As manager of the CAP, for example, the commission has not gone out of its way to encourage politically difficult policy changes purely for the sake of mollifying external critics. The commission has otherwise usually advocated "open" and non-discriminatory attitudes--on foreign investment, for example--and, more recently, has tried, with less success, to push the community toward a more generous approach to the less developed world.

Perhaps the most serious implications for the community's external relations stem from the EC's uneven jurisdiction over economic and political affairs. This discrepancy means that there is neither an assured process for achieving a binding common position on issues of broad political significance nor a single spokesman for these policies. The Europeans are amply aware of the danger of this state of affairs. The political consultations begun in 1970 are one attempt to come to grips with the situation. Although the results of these consultations have been mixed, there is no doubt that

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

the community feels it is under pressure to coordinate policies on questions like European security which affect immediate community interests. Establishment of institutions for this coordination will be a long and difficult task, but it was evident at the 1972 summit--in great part due to British influence--that the external impact of community activities will be more directly addressed in the enlarged EC.

In sum, it is clear that in areas where there is no community "personality"--and consequently no mandatory common policy represented by the commission or other single spokesman--negotiations will be difficult. Whether the community complicates the aims of international negotiations is a question that cannot be answered solely by evaluating the performance of EC institutions. The kind of job these institutions do depends on a judgment from the member states that their common interests will be more effectively advanced by community action.

IV. Community and National Interests: The European Identity

The phrase "European identity" has been defined as a sharing of similar objectives. For de Gaulle, "European identity" meant other things as well--not only Europe's "otherness" from the US, but also the diversity of nations within Europe itself. This diversity, he argued, foredoomed attempts to create "apatriate" institutions to represent Europe. Responsibility, he argued, should best be left to those--notably the French--who have a surer sense of Europe's inheritance based on its component national identities.

Those who oppose the French view have emphasized the need for innovative institutional arrangements if a new European identity were to be anything more than an unstable coalition of nation-states. Their position has been weakened, however, by the discrepancy between their aspirations and the instruments they

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

have had to work with: i.e., the Communities. The inspiration for the European identity the Europeanists want lies in broad political interests no longer within the means of any single European state: strengthening Western Europe to afford better protection against undue influence from the Soviet Union, insurance against a repetition of fratricidal conflict, and attainment of a world role for Europe. In practice, they have had to deal with problems such as reconciling the economic and commercial claims of the member states and mediating disagreements over community decision-making machinery.

National Alignments

Certain national alignments have in the past been indispensable to the shaping of the community's policies and external orientations. Clearly, for example, agreement between France and Germany was the minimum condition for progress within the community of Six. France set its stamp on the EC primarily through the CAP and the association arrangements in Africa. Broadly put, the economic quid pro quo for Germany was the free internal market for industrial goods. France was politically preeminent because Bonn was until recently both unwilling and unable to challenge Paris. To challenge Paris in those days, Bonn would have required a coalition of itself and the other four, and such an alignment on any given issue was the exception: hence the special significance of France's unusual isolation during the dispute of 1965-66.

Among the Six, the Benelux countries were probably the most enthusiastic defenders of supranationalism, seeing in it the best defense against dominance by the larger powers. Even so, Belgium and Luxembourg were susceptible to French blandishments--in part because they fancied themselves as mediators. Belgium also had to pay attention to the sympathies of its French-speaking population. The Dutch were always willing to clash with Paris on questions of principle, but they were second to none in digging in on matters such as transportation and agriculture where strong national economic interests were at stake.

25X1

CONFIDENTIAL

25X1

Italy's position in the Six tended to be determined--and weakened--by its uncertainty over whether it was "smallest of the large" or "the largest of the small" members. Although it perceived its own interests as intimately tied to European integration, there was a consistent discrepancy between Italy's size and its relatively small influence on the community. Italian influence was also limited by its internal economic weaknesses.

25X6

25X6

Interest Alignments

The community is not the creature of business interests that the Communists and the European left have made them out to be, but the influence of business does outweigh that of labor and consumer interests. In this respect, the EC is no different from the member states; the complaint of non-business interests is that there are no instruments at all in the community through which they can adequately present their views.

"Business" is not monolithic, and the free-trade interests of the larger concerns and manufacturers' associations are often at loggerheads with protectionist forces within the business community and the powerful farm lobbies. Moreover, as many European observers have lamented, US business interests have often taken better advantage of the Common Market than have European companies, many of which are still oriented toward the national market or are encouraged, for reasons of national prestige, to grow domestically rather than expand via transnational mergers.

Organized European business groups still have less influence in the community than the organizations of entrepreneurs who lobby with their respective national governments. Various national rules and practices still interfere with true freedom of commercial exchanges within the Common Market. Moreover, the commission's determination to pursue anti-trust actions has put a damper on some transnational business.

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

The importance of agricultural interest groups has already been noted. The farmers, perhaps the best organized group across intra-community borders, have considerable influence on EC decisions because of their extraordinary political importance at home. The protectionist color of the CAP is, however, due less to the effectiveness of organized agricultural interests than to the welfare-oriented social philosophy with which the Europeans approach farm policy.

Competing Influences

The community is still regarded by the member states as very much an instrument for furthering their own national interests; national differences persist with strong force even after a common policy has been established--witness, above all, the CAP. Nevertheless, after all the difficult bargaining to reconcile the divergent views of the member states, the policies of the community do command a certain sense of loyalty from the member states, especially when a "community" interest is attacked by outsiders. The CAP is untouchable because it is one of the community's few concrete achievements as a community. Despite the fierce criticism of the CAP from within the EC, it becomes a test of community solidarity when the program is attacked from outside. This reaction perhaps shows the existence of influences other than economic self-interest in the EC and it is one that may have to be borne in mind in an era of greater international competition--if not confrontation--with the EC.

Because the institutional structure and political unity of the community have been so weak, it is difficult to assess the influences that determine community policies. Long-range objectives (the goal of European union, for example); a sense of responsibility as a world power complex; historical ties and responsibility; and common interests or interdependence vis-a-vis the US undoubtedly all play a role in shaping the community consensus. The fact that these political considerations operate more often than not behind the

25X1

CONFIDENTIAL

25X1

scenes has, of course, been strongly denounced by many of the community's internal critics, who plead for mechanisms to bring these considerations to the forefront of the EC's policy debates. Even if some of these underlying motivations for community policies have heretofore been imperfectly articulated, it is evident that the perceived desire for a closer union has been a force for getting the community through difficult times.

Effects of Internal Changes

The entry of Britain, Denmark, and Ireland into the community has brought pressures for change in certain policy areas. Whether community enlargement will also bring about stronger and more democratic institutions is a question for the future. The potential is there--if for no other reason than that France's influence is somewhat diluted. Resistance to change is strong, and the new members themselves--whatever their ultimate hopes for the community--have in general put national interests before institutional reforms.

The most obvious consequence of the community's enlargement is the ending of the preeminence of France and Germany in EC councils. The presence of Britain practically ensures that coalitions among the Big Three will shift with the issues. On most trade matters, London will lean toward Bonn's more liberal attitudes. Britain, for example, will support those who oppose reverse preferences, although it will retain its interest in preserving a "special" relationship between the community and Africa and with Commonwealth states elsewhere. In agriculture, Britain's interest in keeping grain prices within bounds is similar to France's; other aspects of the CAP will find the two countries apart (and French suspicions that London aims at scuttling the CAP will die hard). Recent agricultural decisions have already demonstrated the effect--mostly moderating--of Britain's presence.

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

25X6

The enlargement of the community led to the ambitious programs laid down at the Paris summit last October and the commission has since been energetically preparing guidelines and policies for council action. Although the greater number of important issues on the table may facilitate trade-offs--between, say, more liberal trade policies and a more vigorous system of regional aid to depressed areas--there is no guarantee that meaningful community-wide programs will soon emerge.

External Influences on a European Identity

External forces may have a more immediate effect on EC development than internal influences. Notwithstanding the relative slowness of integration within the EC, the Europeans keep hearing that they are seen to be a single bloc--at least in terms of world trade and international economic power. The US alternately welcomes increased unity and warns against unfair regionalism; the Russians move toward recognizing the community as a "reality," while at the same time they seek to counter the effects of West European solidarity; Japan is fearful of threats to its trade and anxious about the EC joining the US in anti-Japanese stands; and the less-developed world directs pleas at Brussels for special treatment as well as accusations of discriminatory practices. Only the Chinese openly cheer EC integration from the sidelines.

Faced with challenge and solicitations from all sides, the community will not suddenly submerge the national interests of its members into an embracing community interest. Conflicts persist within the EC

25X1

CONFIDENTIAL

25X1

despite general recognition of the necessity for united action. Thus, community members recognize that serious consultations with the US on the wide variety of problems besetting the Atlantic relationship are essential. Those most concerned with preserving momentum toward a supranational Europe fear that any all-encompassing negotiations would serve to divide, rather than unify the Europeans. There is much skepticism about anything so grand as a new "Atlantic charter." France, for example, would be unwilling to be explicit about the future of Atlantic institutions just when Pompidou is trying to avoid a debate between Gaullist die-hards and those sympathetic to the concept of giving "Europe" the means to defend its interests.

Britain, the commission, and Germany want to keep negotiations on monetary, trade, and defense matters separate not only because they fear US "blackmail," but also because they realize that Europe's own unity is not equal to defending--or even defining--its across-the-board interests. The "year of Europe" may increase the pressures on the community to respond as an entity, but cannot alone do much to accelerate the actual political process. It may, however, strengthen Europe's determination to defend its interests in the trade negotiations--the one area where mechanisms exist for developing and consolidating a common position.

The ambiguities of the community are also evident in the field of East-West detente. The community has had a fair amount of success in reaching agreement toward the coming European security conference. There has been virtually no dissent from the proposition that a Pan-European concept should not be allowed to diminish the European Communities. They have been less willing to face head on--as the Italians, and now even the French, suggest--the political consequences for West European unity of mutual force reductions in Europe.

25X1

CONFIDENTIAL

25X1

The community is still resisting the development of a common commercial policy vis-a-vis Eastern Europe and the USSR. The EC members appear to react with more unity to a perceived threat than to the potential divisiveness of competitive opportunities--in this case Eastern European and Soviet markets. If EC members see a common commercial policy toward the East as restraining their individual opportunities rather than creating leverage, the Soviets will have made a significant gain toward neutralizing a potential source of worry.

The community recently tried to work out a trade agreement with Japan. The negotiations have now been abandoned, however, with both sides conceding that no accord was possible on the inclusion--largely at the urging of Italy and France--of unilateral EC safeguards measures against "excessive" Japanese imports. Tokyo hopes the issue will be resolved by international arrangements for safeguards that may come out of the multilateral trade negotiations; in the meantime, Japan has pressed successfully for regular informal bilateral talks with the commission, similar to the US-EC talks at the undersecretary level.

Japan points to the frustrations arising from not knowing who speaks for the community, given the division among EC members about how much authority the commission should have. The commission suffers from the same frustrations, since it dislikes--but finds difficult to overcome--the bilateral arrangements, notably on export restraints, that have been negotiated between Japan and individual EC members. In a recent face-saving gesture, the commission finessed a unilateral Italian imposition of safeguards against Japanese tape recorders by converting the safeguards into a community measure, but this action hardly disguised the absence of a real definition of the interest of the community as a whole vis-a-vis Japan.

Although both the EC and Japan warn against the danger of any two of the three great market economies (the EC, Japan, and the US) trying to join forces against the other on trade issues, each side probably

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

regards the possibility of such combination as a useful bargaining tool. As the trade negotiations get under way, the commission will probably hold more discussions with Japan in order to display its role in community policy and to seek to establish itself as the defender of community interests. The commission's control over community policy toward Japan is still shaky, and it will probably be unable to erase the fears of the Europeans that Japan may indirectly become a threat to their interests because of US measures against Japan.

The community's relations with the Third World are still focused on Africa. Although Britain's membership has brought with it the problem of preferential trading with Commonwealth countries, most of these are also in Africa. The problem of how to deal with the greatly expanded list of "associables"--given the general desire, for both administrative and political reasons, to find a single formula--has already led to more generous proposals for the negotiation of a successor agreement to the present Yaounde Convention. The Africans themselves are, by and large, wary of "neo-colonial" ties, and developing countries in Asia and Latin America--not eligible for EC association--are becoming more insistent that they be treated equally.

In short, the community is being actively solicited to recognize its world-wide responsibilities. The community has taken cognizance of this development, but at least in the immediate future is likely to continue to give priority to relations with its neighbors, including the oil-rich countries of the Middle East. The member states have responded with no great enthusiasm to suggestions by the commission that the community develop ties with Southeast Asia; and community interest in Latin America--despite trade agreements already signed or under negotiation with Argentina, Uruguay, and Brazil, and technical assistance to the Andean Pact--still lags behind that of private investors from some of the individual EC members. It nevertheless seems likely that in the longer run Africa will not retain the priority it now enjoys, and that the community will aim at orderly marketing arrangements applicable to all developing areas.

-34-

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

Vive la difference?

It is hazardous to predict the impact of public opinion on foreign policy, and especially so in the case of the EC since it is questionable whether a community public even exists. It can at least be conjectured that the Europeans are more sensitive to the possibility of confrontation with the US than at the time of the Kennedy Round. US-European differences can no longer be ascribed to de Gaulle and his absence makes it easier for some to identify with a "European" position without appearing antagonistic to the US or anti-community.

Nevertheless, as in the US, problems such as inflation and concern with the "quality of life" take precedence over external issues. Those who instinctively look toward Brussels rather than to their national governments for remedies are still few, although trade negotiations, especially if they can be portrayed as an attack on the community, do awaken support in defense of "European" interests. And enlargement has created a sense of being a more equal partner--or adversary.

A discrepancy between a feeling of identity and the inadequacy of governmental processes on the European level could generate considerable frustration. The sense of European "differentness" from the US has not been much reduced by Europe's approach to an American standard of living, and competition with the US seems likely to center on those aspects of society that separate the two sides of the Atlantic. In such circumstances, frustration with the organizational and institutional weaknesses of Europe seem more likely to show up in increased hostility, or skepticism, than in complaisance to US initiatives.

What emerges from this look at the prospects for a "European identity" is that, while Europe is indeed an interlocutor, it operates in a pluralistic manner and its positions are often shifting and unpredictable. Most "Europeans" believe that over the long term, the area of identifiable common and community interest will grow. It does not necessarily follow, however, that transfers of authority to community institutions will proceed apace. Moreover,

25X1

CONFIDENTIAL

25X1

it is clear that competition will continue between forces seeking the development of a European regional identity and those remaining sensitive to the broader identity of interests within much of the industrialized free world.

V. On Dealing With the Communities

As the maneuvering gets under way for the multinational trade negotiations, many of the problems of negotiating with the EC that existed during the Kennedy Round bargaining (1963-67) are again evident. On matters of substance, reducing barriers to agricultural trade still runs up against the community's protectionist farm system, and starting positions on how much industrial tariffs should be reduced are similar to the "maximalist" and "minimalist" attitudes during the Kennedy Round. In terms of negotiating authority and decision-making capabilities, the basic situation of the US and the EC are very different. The US administration is seeking from the Congress a grant of broad, but firmly defined, executive powers to negotiate liberalization agreements of various kinds and to institute protective measures in the event US industries are subsequently put at a disadvantage by foreign competition. The flexibility of the commission--the EC's representative when the negotiations begin--will be quite limited, since the council rather narrowly defines the commission's negotiating authority, but the council can easily shift positions as the multilateral bargaining proceeds.

Because the commission must take proposals back to Brussels for debate and clearance, decision-making by the council will face some of the delays that plagued the Kennedy Round. As in the earlier negotiations, the community's over-all position will be influenced by matters not specifically on the negotiating table. The political significance of the Kennedy Round was enhanced as a result of the crisis in NATO at the time and the dispute over a multilateral nuclear force, which left the trade negotiations as the principal arena for maintaining--or restoring--a trans-Atlantic dialogue. Today, the question of Atlantic relations is again to the fore, and the trade negotiations are likely to be a major part of the dialogue between the US and Europe.

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

The early stages of the Kennedy Round were inextricably linked to the community's fight over its agricultural policy--specifically, the fixing of grain prices. Later, the French boycott virtually brought EC decision-making to a halt. Today, the community must try to carry on the trade negotiations in parallel with its ambitious programs for internal consolidation and, as the latest round of EC farm-price negotiations has indicated, the possibility of another battle over agriculture cannot be ruled out.

These similarities do not necessarily lead to a pessimistic assessment of the outlook for the new round. They do suggest that, other than the new strength the community has achieved through enlargement, things have not changed so fundamentally that the EC will be a much easier negotiating partner.

If events repeat themselves, the commission will attempt to use the trade negotiations to enlarge its discretionary powers and to advance internal community policies. The commission's chief negotiator in the Kennedy Round, Jean Rey, was given sufficient flexibility by the council at the end of the Kennedy Round to make it possible for the community to agree to the final "package" of proposals submitted by GATT Director General Wyndham-White; and the pressure of the Kennedy Round undoubtedly accelerated the community's schedule for the development of internal agricultural policy. The Kennedy Round indeed demonstrated that the commission was indispensable in achieving consensus among the community members. But it will have to start all over to re-establish its credentials in the coming round, and this may require time.

The community's generally defensive attitude toward the approaching trade negotiations was also a feature of the earlier round, and the current claims that the common external tariff and agricultural policy--both requisites of community solidarity--are threatened have a familiar ring. Enlargement, however, has added to EC confidence. It is now aware that it need not be defensive since it has come even closer to "equality" as a negotiating partner.

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

Nevertheless, the community still worries about its vulnerability to "divide-and-rule" tactics. Most of this concern comes from France, and it is not always clear how much of this is attributable to Paris' hope to pressure its EC partners into adopting positions that are of French interest. Still, allegations of Bonn's subservience to Washington or of London's role as Trojan horse retain enough semblance of plausibility for the French that they consider such charges worthwhile.

Britain and Germany especially have made clear that they intend to accentuate the positive in the EC's approach to the negotiations. This emphasis on the necessity for unity and general support for commission initiatives will to some degree counter French negativism. Despite the battle between Paris and the commission that erupted openly in the midst of the negotiations, France had little to complain about regarding the commission's bargaining ability during the Kennedy Round.

Commissioner Soames, who is assuming more and more the role of "European foreign minister," will be principally responsible for the coming trade negotiations. He is determined to defend community interests, and the community as a whole shares the "French" sense of priority for European "togetherness." Bilateral approaches to one or another community member on matters of high US interest still could be useful, but any flagrant bypassing of Brussels--especially on issues of trade policy, where the Commission's jurisdiction is clear--is likely to fuel French suspicions.

In the over-all balance of power within the community, France may count for less than previously, but community positions will still reflect French preferences on a number of the more important questions. The community as a whole is simply not secure enough to act as though certain issues of real or imagined vital interest to the French are negotiable. Among these issues are the CAP, preferential relationships, and the reduction of tariffs to zero. France's partners are likely to acquiesce in some

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

French "biases" when necessary to preserve unity, but such concessions may also be necessary to attain generally more liberal community positions. Despite a united commitment to the CAP "system" and despite continued official claims that the EC has a "right" to engage in preferential trade, some shifts in EC policies on agriculture and trade preferences are not unlikely.

Along with such flexibility on some of the crucial issues, the EC is likely to insist on certain points, such as reciprocity, which may in fact turn out to be non-negotiable. The community's emphasis on reciprocity--normally taken for granted in trade negotiations--stems from its concern that the US is approaching the negotiations both with a view to correcting "unfair" EC practices and with the intention of righting the US balance-of-payments deficits. The Europeans do not consider that they owe the US anything, and they believe that negotiated trade concessions must be to everyone's advantage.

The community as a whole is well aware that the success of this round of trade negotiations is important as a counter to a new wave of international protectionism. The negative views of some in the EC are more than balanced by others who see increasing international competition to their and the community's interest and who fear the repercussions in the US of a niggardly EC attitude. If niggardliness prevails, it will in large part be due to the community members' awareness of the fragile state of their union. The same reason lies behind much of the hesitancy in Europe about conducting a US-EC dialogue.

There are those--notably the Germans, Dutch, and Belgians--who favor consultations at a high level as a means of overcoming mutual suspicions and forcing unity among the Europeans. The French fear that such consultations might deprive Paris of independent leverage. Increasingly, however, even those who are well disposed toward closer contacts with the US on the political level are wary lest an organized dialogue facilitate a linkage of trade,

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

monetary, political, and security questions to the disadvantage of the community. Again the problem can be viewed as one of jurisdiction: whereas in some, still rather restricted, areas the mechanisms--and thus the potential--exist for bringing about a common community position, in other areas the lack of a European consensus or even the means for arriving at one is felt to put the community members at a sharp disadvantage vis-a-vis the US.

Few Europeans dispute that trade, monetary, and security issues are linked by political and economic reality, but they do not want the link to be made more explicit by trade-offs among these areas. Apart from the problem of jurisdiction, the most obvious difficulty facing the Europeans in this type of linkage is that the US security guarantee is, in one sense, "priceless." They ask, in effect: what are the trade concessions Europe must make in order to keep at bay the threat of US troop withdrawals or some other weakening of the US defense commitment? Complicating the Europeans' worries over linkage is the feeling that troop withdrawals are all but inevitable any way, and that if they have any influence over US military policy at all, it will be through things like EUROGROUP activities and offset arrangements.

The concept of linkage also brings up again for the Europeans the uncertainties of relations between the US executive and the Congress. Within the trade field, some degree of confidence in bargaining limits will be established once the final US trade legislation is known, but the confidence will not extend to other areas. To the Europeans, linkage appears to go all one way: in each field--trade, monetary, and defense--they see themselves as asked to "do more."

Some Europeans--especially after Dr. Kissinger's April speech suggesting a new look at Atlantic "principles"--see a high-level dialogue as potentially useful in smoothing relations between the US and the community. The French, they reason, would be risking

CONFIDENTIAL

25X1

CONFIDENTIAL

25X1

too much if they were isolated in opposition, particularly if it were made clear that the US was substituting a dialogue with the community for bilateral consultations with the individual member-states. There is, however, a limit to what even those favoring such a dialogue would be willing to discuss in a forum other than those--NATO, OECD, the GATT, and the IMF--that are already seized with specific issues.

The US may for the present have no alternative to settling for discussions with the EC (through community bodies) on those questions where its jurisdiction is already established, and otherwise, for consultations in the multilateral institutions where the EC is represented through its own delegation and/or the member states. The insistence of the Europeans that they caucus in forums even when they have no legal obligation to do so may be an annoyance to their partners. Nevertheless, it is likely that only in such forums can effective pressure be brought to bear by the US, Canada, other Europeans, Japan, and the developing countries. For this to be possible, a more serious commitment to effective international organization may be required from all parties--if for no other reason than to reduce latent hostility to US power. In any case, references to Atlantic "partnership" will not necessarily create it. At this stage of European development, such evocations may simply breed more conflict, given the differences among the Europeans about how close Atlantic ties should be and how much sovereignty they are willing to cede to a European collectivity.

The atmosphere for the coming trade negotiations--and hence the willingness of the parties to reach the necessary minimum agreement on the ground rules--may deteriorate should the growing European suspicion that the US has little sympathy for the whole integration movement gain greater currency. The Europeans do not in general expect the US to relax its criticism of specific community measures that damage US interests, and in many cases, such criticism encourages the progressive forces at work within the

25X1

CONFIDENTIAL

25X1

community. The Europeans plead for greater US understanding of the social goals of the CAP, of the political and economic problems of the member states, of the complexity of the movement toward a more centralized Western Europe, and of the need for Europe to feel that its relationship with the US is a fair, balanced, and coherent one.

As this paper has attempted to show, European unity is still in many respects more aspiration than reality. The community is only very gradually extending its areas of competence, and the configuration of any future European "government" is still open, but present evidence suggests that the movement toward "Europe" will go forward. As a Belgian diplomat recently suggested, "The US should pretend political unity exists even if it doesn't."

CONFIDENTIAL

25X1